

Chief Executive's review



A.P. Wray

Tony Wray, Chief Executive



We head into the first year of AMP5 confident that the hard work our people have been doing in recent years makes us well prepared to meet the challenges of the future.



In 2009/10 we continued to deliver what we set out to do in our KPIs and business strategy, focusing on improving our performance and successfully completing AMP4. At the same time we set about preparing our businesses for the next regulatory period and gearing up for the longer term issues facing the water industry as a whole.

Improving performance across our group

In 2009/10 we faced pressures on two fronts – continuing impact from the economic downturn and the additional challenge of coping with the coldest winter for 30 years. Nevertheless, we performed well on the financial front, continued to make process and efficiency improvements throughout our businesses and delivered excellent service.

As we reach the end of the regulatory period our performance has improved to position us better for AMP5. AMP4 was not without its difficulties but we used our learning to transform our business, putting our performance and our company in a strong position to meet the challenges of the next five years and beyond.

Severn Trent Water

Over the past five years we have been setting ever higher standards to achieve better levels of customer satisfaction and improve our environmental, financial and regulatory performance. We delivered good results and maintained our dividend promise. We significantly reduced customer complaints, tackling sewer flooding and increasing the reliability of water supplies across our region. We achieved our own financial targets and those set by Ofwat to meet our ongoing commitment to be the best water and waste water company in the UK, with the highest standards, the lowest possible charges for our customers and with great people.

In December 2009, our journey of continuous improvement was recognised by our peers in the utility sector who named us Utility Company of the Year, a prestigious award, one we feel very proud of winning. That journey has been paving the way for the next

regulatory period, backed by significant lead-in investments to improve our processes and the capabilities of our people. Along the way we have invested in systems and technologies, implementing SAP and building our new telemetry systems to improve monitoring of our network and lower our operating costs. We rolled out our Safer Better Faster (SBF) process improvement programme to more areas of our business to ensure we work in smarter and leaner ways. We made early progress with our future capital plans, and the new Severn Trent Centre in Coventry is already close to completion and ready for us to move in some 1,700 staff this autumn. All of which means we enter AMP5 with our plans for the period well advanced.

Severn Trent Services

The global economic downturn made this a challenging year for Severn Trent Services. Nevertheless, by continuing to focus on longer term growth, our complementary non-regulated business maintained customer confidence and remains in good shape. Operating Services performed well, and continued to grow. Water Purification and Analytical Services were harder hit by the recession, effectively losing a year of growth. That said, the order book remains high at Water Purification and by the end of the year performance was moving back on a growth track. At Analytical Services we look forward to starting the new 10 year Yorkshire Water contract, building on a restructured and lower cost base.

Looking to the long term

As we make the transition from one regulatory period to another, the water industry in England and Wales is reaching a critical point.

At Severn Trent we believe we are in a strong position to deal with the challenges ahead. Our operational performance, financial strength, geography and low cost base differentiate us from other companies. We relish the challenge of finding innovative solutions to tough problems and are firmly committed to delivering the lowest charges in England and Wales for our customers. We will also continue to support our complementary business Severn Trent Services.

We are, of course, committed to responsible business conduct. Every day we're delivering water and waste water services and treatment solutions to customers globally, we're investing in local, regional and national economies, and we're doing this with a focus on minimising our carbon footprint. This is the real heart of corporate responsibility and for us it's business as usual. It's about keeping our prices down for our customers, being a good, safe and attractive employer and safeguarding the environments in which we work.

Last, but by no means least, we have a great team of people in both Severn Trent and in our supply chain partners. Wherever I go in our business I'm impressed by the motivation and commitment of our people, whether they're keeping our customers supplied with quality water, reducing pollution incidents and sewer flooding, producing record levels of renewables, improving customer service metrics in a tough economic environment, or delivering technological solutions and getting it right first time. It's thanks to them that we move into AMP5 with confidence and the kind of strength you would expect from a company with ambitions to be the best water and waste water company in the UK.

Finally, may I take this opportunity to thank Sir John for his huge contribution to Severn Trent over the past five years, and his exemplary leadership through some challenging as well as successful times for our company. I wish him all the best for the future, and give him my personal thanks for the unstinting support that he has given to me in my role as Chief Executive.